

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO



JANUARY 1942

Savings for Victory



The aroused American public purchased \$529 million of defense savings bonds in December, more than double the amount purchased in November. Sales of Series E bonds amounted to \$341 million in December, more than three times the November sales of \$109 million. Total sales of defense savings bonds from May through December—at issue price—were \$2,537 million, of which \$1,145 million represented sales of Series E bonds and \$1,392 million Series F and G bonds.

Likewise, in the Seventh Federal Reserve District, December sales of defense savings bonds increased greatly. Sales of Series E bonds in December were \$39 million, over three times the previous monthly average of \$11 million. This high rate of sales is being continued, for \$23 million of Series E bonds were sold in the first ten days of January. Total sales of defense savings bonds in the Seventh District from May through January 10—at all qualified issuing agencies other than post offices, and at issue price—were \$375 million, of which \$137 million were Series E bonds.

Large as were purchases of defense savings bonds in December, such purchases must be increased to much higher levels. "Millions more must take part in payroll savings plans and must invest hundreds of millions of dollars if we are to do our job," stated Secretary of the Treasury Henry Morgenthau, Jr. "Our plans at the Treasury for financing war are based upon the belief that the American people will want to assume a big share of the cost of the war of their own free will. The response to payroll saving will tell us whether that belief is right or wrong."

Total income payments in the month of November 1941 were almost \$1,500 million more than in the month of June 1940, and total salaries and wages were more than \$1,300 million greater. According to Treasury estimates, however, from May through November, wage earners invested only about \$300 million or somewhat over \$43 million dollars a month in defense savings bonds. From May through November, sales of Series E bonds were \$803 million, of which about \$500 million were in denominations of \$500 and \$1,000, regarded as investments of accumulated savings rather than diversion of current income.

War expenditures may surpass \$5,000 million a month during the fiscal year 1943. Already, defense expenditures, as reported by the Treasury Department, have risen to \$1,847 million in December from \$812 million in June this year and \$153 million in June last year.

Huge defense expenditures have given American people more money to spend than ever before. Output of the nation is larger than ever before, but a growing proportion of that national output represents armaments. All-out war production will necessitate diversion of about one-half of the productive activity of the nation to war purposes. Supplies of civilian goods available for purchase necessarily must decline. In this situation, there will be growing upward pressure on prices unless more and more consumer income is paid out in taxes or saved.

"We are in reality fighting two wars," Secretary Morgenthau has pointed out, "one the great struggle on all the continents and all the oceans, and the other the war against an insidious enemy here at home. That enemy is inflation. Our job, therefore, is a double one, and in this renewed effort to which we must now dedicate ourselves, we must make sure that we deal effectively with both enemies."

"Our major effort now must be directed particularly at those in all walks of life who receive regular pay from wages and salaries. Inflation feeds on current income rather than on the money that now rests in the vaults of savings banks. It may seem heartless to speak of excess spending on the part of millions of people in the middle and low income groups; but in wartime in the face of the limited and dwindling supply of civilian goods, there is such a thing. In wartime, excess spending means the buying of any commodity that we can safely do without. Therefore, the most effective course for us has been to enlist current income and divert excess spending, to persuade our people to set aside a part of their pay every pay day in defense bonds and stamps, . . . to reach quickly, within the next few months, every single recipient of regular current income in the United States and to have every one of these 35 million people setting aside some part of their pay regularly within the shortest possible time."

Higher Deposit Turnover

The turnover of demand deposits in the Seventh District has risen significantly in the past year. Velocity of circulation of demand deposits of individuals, partnerships, and corporations at weekly reporting member banks in the Seventh District in the fourth quarter of 1941 was 8 per cent greater than in the fourth quarter of 1940.

The rise in deposit turnover during the past year indicates that the much higher level of bank debits has reflected, in part, a more active use of demand deposits. The average amount of demand deposits of individuals, partnerships, and corporations at weekly reporting member banks in the Seventh District in the last quarter of 1941 was 14.5 per cent greater than in the last quarter of 1940, whereas debits to such deposits in the last three months of 1941 were 23.7 per cent greater than in the same period of 1940.

The velocity of circulation of deposits is computed by dividing the volume of debits during an interval of time by the average volume of deposits over the same period. The rate of deposit turnover thus represents the average number of times the deposits are spent during the period.

Measures of deposit turnover are significant because they reflect changes in the flow of money

PERCENTAGE CHANGE IN DEBITS, DEPOSITS, AND TURNOVER FOURTH QUARTER 1940 TO FOURTH QUARTER 1941

Demand Deposit Accounts of Individuals, Partnerships, and
Corporations at Weekly Reporting Member Banks

| City | Debits | Deposits | Turnover |
|-----------------------|--------|----------|----------|
| Seventh District..... | +23.7 | +14.5 | + 8.0 |
| Chicago..... | +25.3 | +13.1 | +10.7 |
| Peoria..... | +11.8 | +19.4 | - 6.2 |
| Indianapolis..... | +25.9 | +13.7 | +10.7 |
| Fort Wayne..... | +28.1 | +22.7 | + 4.4 |
| Des Moines..... | +17.6 | + 6.0 | +10.8 |
| Sioux City..... | +35.1 | +16.9 | +15.5 |
| Detroit..... | +19.9 | +20.3 | - 0.2 |
| Flint..... | + 6.3 | +15.8 | - 8.1 |
| Grand Rapids..... | +22.1 | +25.2 | - 2.4 |
| Milwaukee..... | +25.6 | +19.9 | + 4.8 |

payments relative to the volume of deposits. An increase in the stream of money payments for any reason is effected by an increase in the rate of use of existing balances, or the expenditure of enlarged balances at the same rate as before, or increases both in the volume of balances and in their velocity.

When an increasing portion of the total stock of deposits is being held idle, velocity of circulation declines. This was the situation in the United States from 1933 to 1940. The amount of deposits increased greatly as a result of huge gold imports and heavy purchases of Government securities by commercial banks. During these years, however, velocity of circulation of deposits declined, as evidenced by the fact that bank debits rose relatively less than bank deposits.

At the present time, money expenditures are increasing. The quantity of deposits is rising as a result of purchase of Government securities by commercial banks and the increase in commercial and industrial loans, and deposits are being spent more often. Idle balances, which exist in large volume, are being tapped by accelerated business and consumer spending and by the purchase of Government securities by holders of such balances. In these circumstances, a substantial increase in money expenditures, brought about by more active use of deposits, is a most significant possibility.

INDEXES OF DEBITS, DEPOSITS, AND TURNOVER DEMAND DEPOSIT ACCOUNTS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS SEVENTH DISTRICT WEEKLY REPORTING MEMBER BANKS

(February — December 1939=100)

| | Debits | Deposits | Turnover |
|----------------|--------|----------|----------|
| 1939..... | 100.0 | 100.0 | 100.0 |
| 1940..... | 109.7 | 115.6 | 95.0 |
| 1941..... | 136.7 | 135.9 | 100.5 |
| 1940 | | | |
| October..... | 117.6 | 123.3 | 95.4 |
| November..... | 126.0 | 125.3 | 100.5 |
| December..... | 135.7 | 126.3 | 107.4 |
| 1941 | | | |
| January..... | 118.5 | 127.4 | 93.0 |
| February..... | 123.1 | 127.8 | 96.3 |
| March..... | 141.3 | 123.5 | 114.3 |
| April..... | 124.3 | 129.6 | 95.9 |
| May..... | 126.6 | 135.7 | 93.2 |
| June..... | 136.5 | 137.8 | 99.0 |
| July..... | 133.8 | 141.1 | 94.8 |
| August..... | 129.2 | 139.4 | 92.6 |
| September..... | 137.4 | 138.8 | 99.0 |
| October..... | 146.1 | 141.3 | 103.4 |
| November..... | 154.1 | 142.7 | 108.0 |
| December..... | 169.0 | 145.2 | 116.3 |

The Money Market in December

Treasury Bill Market

Rates at which new issues of Treasury bills were sold rose steadily from the middle of October to the end of December. The average yield on bills dated December 31 was 0.310, whereas the average yield on bills dated October 15 was 0.001. The rate on the issue of December 31 was higher than on any issue since 1937. The average yield on the issue dated January 7 was 0.304. The rise in yields has been due to the decline in excess reserves, particularly in those of New York City banks, and an increase in weekly bill offerings.

In the twelve weeks from October 22 to January 7, the Treasury increased the amount of bills outstanding by \$750 million. In each of these weeks, \$100 million of Treasury bills matured. The weekly bill offering was \$150 million on October 22 and 29, and November 5 and 12. New bills in the amount of \$200 million were offered on November 19 and 26, and December 23. The weekly bill offering was again \$150 million on December 10, 17, 24, and 31, and January 7.

Beginning with the issue dated November 19, qualified depository banks have been permitted to make payment by credit to the Government in war loan accounts for Treasury bills allotted to it for itself and its customers.

Maturities have been arranged so that \$600 million of bills will mature during the week of March 15. This was accomplished by shortening the maturity of the bills dated December 24 and 31 and January 7 from the usual 91 days to 82, 76, and 71 days, respectively. It is expected that the four Treasury bill issues which mature on March 16, 17, 18, and 19 will be paid for in

cash from March 15 income tax receipts. Such cash payment, without replacement, will offset, to that extent, the decrease in excess reserves which would be caused otherwise by deposit of income tax collections in Treasury deposits with the Federal Reserve Banks.

The weekly bill offering dated January 14 was for \$150 million and will mature on April 15.

The greater portion of the increase in the amount of bills outstanding has been taken by banks outside of New York City and Chicago and by non-bankers. This is evident from the accompanying table, which shows changes in the amount of Treasury bills outstanding, bill holdings of weekly reporting member banks in New York City, Chicago, and 99 other cities, and bill holdings of others than weekly reporting member banks. The wider distribution of Treasury bill holdings outside of New York City banks has been due to the concentration in New York City banks of the decline in excess reserves and to the fact that higher rates on new bills have attracted buyers other than New York City banks.

Federal Reserve Open-Market Operations

On December 8, the day after the attack on Pearl Harbor, the Board of Governors of the Federal Reserve System issued the following statement:

"The financial and banking mechanism of the country is today in a stronger position to meet any emergency than ever before. The existing supply of funds and of bank reserves is fully adequate to meet all present and prospective needs of the Government and of private activity. The Federal Reserve System has powers to add to these resources to whatever extent may be required in the future. The System is prepared to use its powers to assure that an ample supply of funds is available at all times for financing the war effort and to exert its influence toward maintaining conditions in the United States Government security market that are satisfactory from the standpoint of the Government's requirements. Continuing the policy which was announced following the outbreak of war in Europe, Federal Reserve banks stand ready to advance funds on United States Government securities at par to all banks."

During December, the Federal Reserve System, in pursuance of its policy of endeavoring to maintain orderly conditions in the United States Gov-

**TREASURY BILLS OUTSTANDING AND HELD BY
WEEKLY REPORTING MEMBER BANKS
OCTOBER 15, 1941 — JANUARY 7, 1942**
(In millions of dollars)

| | October 15 | January 7 | Increase or Decrease |
|--|---------------|--------------|----------------------------|
| Outstanding..... | 1,304 | 2,051 | +747 |
| Holdings of weekly reporting member banks: | | | |
| New York City..... | 449 | 365 | -84 |
| Chicago..... | 233 | 267 | +34 |
| 99 other cities..... | 160 | 251 | +91 |
| Holdings of others than weekly reporting member banks.... | 462 | 1,168 | +706 |

ernment security markets, increased its holdings of Government obligations. Federal Reserve holdings of Government securities, direct and fully guaranteed, increased from \$2,184 million on December 3 to \$2,254 million on December 31. Between December 10 and December 31, Federal Reserve bond holdings increased by \$60 million. In the week ended December 10, Treasury bills appeared among the Federal Reserve holdings of Government securities for the first time since November 1939. In addition to Federal Reserve purchases, the Treasury made an undisclosed amount of market purchases of Government securities for account of Government agencies and trust funds.

Federal Reserve purchases in December were much less than those made at the outbreak of war in September 1939. In the five weeks ended December 27, 1939, Federal Reserve holdings of Government bonds increased \$405 million and holdings of notes increased \$69 million. In addition, the Treasury made net market purchases of Government securities for Treasury investment accounts in September 1939 amounting to \$72 million.

FEDERAL RESERVE HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES DIRECT AND FULLY GUARANTEED

Wednesday Figures

(In millions of dollars)

| | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
|------------|--------|---------|---------|---------|---------|
| Bonds..... | 1,407 | 1,407 | 1,452 | 1,455 | 1,467 |
| Notes..... | 777 | 777 | 777 | 777 | 777 |
| Bills..... | 0 | 12 | 10 | 10 | 10 |
| Total..... | 2,184 | 2,196 | 2,240 | 2,243 | 2,254 |

Member Bank Reserves

Excess reserves of all member banks amounted to \$3,090 million on December 31, as compared with \$3,800 million on November 26. Reserve balances declined sharply in the week ended December 17, as a result of the higher level of Federal deposits with Federal Reserve banks, brought about by deposit of income tax collections and the cash proceeds of the December 15 offering of an additional \$1,000 million of 2½ per cent Treasury bonds of 1967-72 and \$500 million of 2 per cent Treasury bonds of 1951-55. Currency in circulation rose \$657 million in the four weeks preceding Christmas, to a new record high of \$11,224 million, and declined \$63 million in the following week. Foreign deposits decreased \$254 million in the five weeks ended

December 31, while other nonmember deposits declined \$64 million. Federal Reserve float increased \$163 million in the two weeks before Christmas and declined \$138 million in the week ended December 31.

RESERVE BALANCES, REQUIRED RESERVES, AND EXCESS RESERVES OF ALL MEMBER BANKS

DECEMBER 1941

(In millions of dollars)

| | Changes in Week Ended | | | | |
|---|-----------------------|------------|-------------|------------|------------|
| | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| FACTORS, INCREASES IN WHICH ADD TO RESERVE BALANCES: | | | | | |
| Reserve bank credit outstanding..... | + 5 | - 3 | +147 | +66 | -138 |
| Gold stock..... | -11 | + 4 | -27 | + 3 | -14 |
| Treasury currency..... | + 3 | + 3 | + 2 | + 6 | + 4 |
| FACTORS, INCREASES IN WHICH REDUCE RESERVE BALANCES: | | | | | |
| Currency in circulation.... | +150 | +117 | +189 | +201 | -63 |
| Treasury cash holdings.... | -15 | + 5 | + 8 | + 2 | +20 |
| Treasury deposits with Federal Reserve banks..... | -119 | -164 | +768 | -17 | -41 |
| Foreign deposits..... | -21 | -73 | -82 | -44 | -33 |
| Other deposits..... | -47 | +78 | -49 | -17 | -29 |
| Other Federal Reserve accounts..... | - 1 | - 1 | +10 | 0 | - 6 |
| MEMBER BANK RESERVE BALANCES..... | +52 | +41 | -722 | -50 | + 3 |
| REQUIRED RESERVES..... | - 8 | +61 | +28 | -20 | -27 |
| EXCESS RESERVES..... | +60 | -20 | -750 | -30 | +30 |

LOANS, INVESTMENTS, AND DEPOSITS OF WEEKLY REPORTING MEMBER BANKS

(In millions of dollars)

| | Dec. 31, 1940 | Dec. 31, 1941 | Increase or Decrease |
|---|---------------|---------------|----------------------|
| Reporting Banks in 101 Cities | | | |
| Loans and investments..... | 25,527 | 30,085 | +4,558 |
| Commercial, industrial, and agricultural loans..... | 5,018 | 6,728 | +1,710 |
| All other loans..... | 4,372 | 4,642 | +270 |
| U. S. Government securities, direct and fully guaranteed..... | 12,462 | 15,049 | +2,587 |
| Other securities..... | 3,675 | 3,666 | -9 |
| Adjusted demand deposits.... | 22,299 | 23,650 | +1,351 |
| U. S. Government deposits.... | 474 | 1,021 | +1,021 |
| Time deposits..... | 5,432 | 5,348 | -84 |
| Reporting Banks in Seventh District | | | |
| Loans and investments..... | 3,629 | 4,216 | +587 |
| Commercial, industrial, and agricultural loans..... | 657 | 958 | +301 |
| All other loans..... | 428 | 474 | +46 |
| U. S. Government securities, direct and fully guaranteed..... | 1,957 | 2,215 | +258 |
| Other securities..... | 587 | 569 | -18 |
| Adjusted demand deposits.... | 2,962 | 3,368 | +406 |
| U. S. Government deposits.... | 136 | 172 | +36 |
| Time deposits..... | 1,002 | 982 | -20 |

Impact of War upon Agricultural Prices

The Japanese attack on December 7 brought relatively mild reactions in prices in the nation. While the first reaction was a downward movement in security prices, most of the commodities advanced. The Commodities Exchange Administration recommended that limits on future trading be established for wheat, soybeans, butter, eggs, and flax. The Chicago Board of Trade set high and low limits to future prices of wheat and soybeans. Prices of wheat and soybeans rose to the full limit following this action, but in spite of the limit having been reached, trading was active. Similar action on futures was taken by the Chicago Mercantile Exchange with respect to butter, eggs, and potatoes. The ceiling was shortly removed on wheat, and a few days later on soybeans. Wheat and corn have, since those first days, shown a slight dip, but the movement from December 22 on was upward. Soybeans dropped the full 6 cent limit on the 13th and 15th, and since then have recovered to their highest level since September.

Hogs have shown a sharp upward rise since the first days of December, recovering from a top of \$10.15 for Chicago on December 4 to \$11.85 on January 8.

Hog marketings in the current marketing year have been 10 per cent below the level of last season. Slaughter hogs have been marketed at somewhat heavier weights than last year. These two factors together indicate that the spring pig crop is coming onto the market later than was the case for the 1940 crop. It is expected that the peak of winter marketings will be somewhat later this year than last, and that supplies will be heavier than last year in the late winter and spring.

In spite of fairly heavy movements of stocker and feeder cattle into the Corn Belt during November, the gain over November of last year was not sufficient to make up for the slower movement during the preceding four months of the season. Therefore, present indications are for reduced feeding operations during the current season. Chief factors in the reduction have been the unusually good feed conditions on the range and the relatively high prices of feeders.

Milk production as reported December 1 was about 8 per cent above that of 1940. But the gain was less than the amounts purchased for the Government, chiefly for export, which have

been stepped up somewhat in the past two to three months. Production per cow was running about 5 per cent above the previous year. An unusually high proportion of cows is being milked. A seventeen-year record of better than two-thirds milked is shown. Apparently, cows are being freshened earlier than usual. With favorable weather and heavy feeding, it appears probable that heavy milk production will be continued through the winter months. Butterfat-feed price ratios are becoming less favorable to producers, but the milk-feed ratio, based on prices paid by condenseries remains sufficiently high to encourage production. Of serious concern has been the time required for plants to get in shape with equipment to handle the shifts induced by price relationships. Butter prices have reflected an uneasy situation arising from lower consumption, larger production, and the consequent piling up of stocks, with slow out-of-storage movement in recent weeks. Prices are expected to continue downward seasonally until spring, although the rapidly changing situation in fats and oils makes the trend uncertain.

On December 12, the Office of Price Administration announced temporary price ceilings on 1800 fats and oils, the ceilings to be at the levels prevailing on November 26. Provision was made in the order for the receipt of exceptions where the ceilings worked hardships. The order exempts butter, but includes lard, cottonseed oil, and soybean oil, and applies to all stages of distribution except retail. Products that are classified as "finished" under the act are also exempted. Following announcement of the ceilings, numerous protests and complaints from producers and others led the OPA to start an investigation into hardship cases under the order which might be corrected by amendment. Complaints arose from the fact that for the most important commodities affected, strong upward price rises occurred from November 26 to December 13, when the schedules became effective. Consequently, many processors were caught with stocks bought at prices substantially above the November 26 level.

On January 2 the ceilings were revised using October 1 prices. The order has the effect of raising the general level of fats and oils by a minimum of 11 per cent. Sales directly to cooking establishments are excluded, as are sales of lard for human consumption without further processing.

Seventh District Industries in 1941

More men and women were employed in the Seventh Federal Reserve District during 1941 than ever before in history, exceeding the boom years of 1929 and 1937.

Pushed upward by a combination of higher wage rates and more man-hours, payrolls rose to an all-time record. Industrial production, geared to the huge defense program, spiraled upward, sweeping trade to high levels.

Rising from 121 per cent of the 1935-39 average in June, employment reached 143 per cent at the end of July. There was a decline during August, followed by a September pick-up to 146 per cent. October and November each showed slight losses. The average level of employment for the year was 135.

Payrolls advanced more sharply than employment, rising in almost unbroken procession from June 1940 to the end of October 1941, when the upward movement was checked. November showed no gain. The average for the year stands at 161 per cent of the 1935-39 level.

Steel held to a schedule that contributed greatly to national as well as District activity. The Chicago area maintained steel ingot production above 100 per cent of rated capacity throughout most of the year, and at no time fell below 93 per cent. A high of 104 was reached the week of December 21. Pig iron production during the first ten months of the year exceeded the production for the entire year 1940, and at the end of the year had reached a total of 25 per cent greater than that of 1940. Approximately twelve million net tons were produced in 1941, whereas production in 1940 was less than ten million.

The automobile industry, the largest single user of steel, completed one of its most active years. While producing the largest volume of passenger cars and trucks since 1929, it also turned out an undisclosed quantity of defense items. From January through August, production each month exceeded that of the corresponding month of 1940. Limitations after that date curtailed production sharply; yet the total number of units rolling off assembly lines during the first eleven months exceeded that for the entire year 1940.

Bituminous coal mining played its part in maintaining the high volume of industrial production

in the Seventh District. Illinois, Indiana, Iowa, and Michigan contributed 79 million net tons of bituminous coal to the nation's total, the highest figure since 1929 when a total of 84 million tons was produced. The 1941 production exceeded that of 1940 by approximately 10 per cent and was almost 7 per cent higher than the previous peak figure of 1937.

Production of crude petroleum in this District, which had reached a record output of 172 million barrels in the year 1940, declined in 1941 by approximately 10 per cent. Operations at refineries in the Illinois, Indiana, and Kentucky area increased in 1941, with runs of crude oil to stills exceeding the 1940 volume of 226 million barrels by almost 10 per cent.

Seventh District furniture factories, producing 40 per cent of the nation's output of that industry, stepped up shipments 44 per cent over those of 1940. Illinois ranked third in value of manufactured products. Michigan was fourth, and Indiana fifth. Value of furniture produced in the entire country is estimated to be 37 per cent above that of 1940.

Reporting firms indicate that paper production has been increased in response to the generally larger demand. Production records showed an increase each month over the corresponding month of 1940, reaching a cumulative gain of 17 per cent at the end of the first ten months.

Notwithstanding a recession during the last quarter, the total value of construction contracts for the year approximated \$900,000,000, which was the highest since 1929, and was 37 per cent ahead of 1940.

Public financing played an important part in the yearly expansion, increasing from a total of more than \$200,000,000 in 1940 to almost twice that amount in 1941. While private ownership accounted for the greater share of the yearly awards, constituting about 58 per cent of the total, the increase over 1940 was less marked than in public ownership.

Industrial plant facilities absorbed about a quarter of the total yearly awards in 1941, and only 14 per cent in 1940. Residential building made up 37 per cent of the 1941 awards, exceeding the 1940 volume by 25 per cent. Public works and utilities amounted to more than a fifth of the total and showed a rise of 50 per cent over the corresponding volume of 1940.

**PERCENTAGE CHANGE FROM
OCTOBER 15, 1941 TO NOVEMBER 15, 1941 IN THE COST OF GOODS
PURCHASED BY WAGE EARNERS AND LOWER-SALARIED
WORKERS, BY GROUPS OF ITEMS**

| City | All Items | Food | Cloth- ing | Rent | Fuel, Elec- tricity, and Ice | House Furnish- ings | Miscel- laneous |
|----------------------|--------------|-------------------|---------------|------|---------------------------------------|---------------------------|--------------------|
| Average: | | | | | | | |
| 20 Large Cities..... | +0.7 | +1.3 ¹ | +1.4 | +0.4 | ² | +0.8 | +0.1 |
| Chicago..... | +0.5 | +1.1 | +1.1 | +0.2 | +0.2 | +0.4 | ³ |
| Detroit..... | +0.5 | +0.8 | +2.3 | +0.2 | +0.1 | +1.3 | ³ |

**INDEXES OF THE COST OF GOODS PURCHASED BY WAGE
EARNERS AND LOWER-SALARIED WORKERS,
BY GROUPS OF ITEMS
NOVEMBER 15, 1941
(Average 1935-39 = 100)**

| | | | | | | | |
|----------------------|-------|--------------------|-------|-------|--------------------|-------|-------|
| Average: | | | | | | | |
| 20 Large Cities..... | 110.2 | 113.1 ¹ | 114.4 | 107.9 | 104.0 ² | 115.8 | 107.1 |
| Chicago..... | 110.8 | 114.8 | 110.7 | 112.3 | 103.3 | 114.3 | 105.7 |
| Detroit..... | 112.6 | 112.0 | 116.2 | 116.9 | 105.4 | 116.7 | 110.0 |

¹Based on data for 51 cities.

²Based on data for 34 cities.

³No change.

Source: Bureau of Labor Statistics.

**BUILDING CONTRACTS AWARDED
SEVENTH FEDERAL RESERVE DISTRICT**

| Period | Total Contracts | Residential Contracts |
|--------------------------------------|--------------------|--------------------------|
| November 1941..... | \$65,801,000 | \$24,149,000 |
| Change from October 1941..... | -16% | -21% |
| Change from November 1940..... | -7% | +8% |
| First eleven months of 1941..... | \$868,475,000 | \$321,564,000 |
| Change from same period of 1940..... | +43% | +24% |

Source: F. W. Dodge Corporation.

MONTHLY BUSINESS INDEXES

| Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100 | Nov. 1941 | Oct. 1941 | Sept. 1941 | Nov. 1940 | Oct. 1940 | Sept. 1940 |
|---|--------------|--------------|---------------|--------------|--------------|---------------|
| Manufacturing Industries: | | | | | | |
| Durable Goods: | | | | | | |
| Employment..... | 157 | 157 | 156 | 128 | 123 | 117 |
| Payrolls..... | 192 | 192 | 186 | 148 | 144 | 133 |
| Non-Durable Goods: | | | | | | |
| Employment..... | 119 | 120 | 125 | 104 | 106 | 107 |
| Payrolls..... | 139 | 140 | 142 | 111 | 112 | 111 |
| Total: | | | | | | |
| Employment..... | 144 | 144 | 146 | 120 | 118 | 114 |
| Payrolls..... | 176 | 176 | 172 | 137 | 135 | 126 |
| Pig Iron Production: * | | | | | | |
| Illinois and Indiana..... | 203 | 202 | 211 | 191 | 186 | 179 |
| Automobile Production (U. S. and Canada): | | | | | | |
| Passenger Cars and Trucks..... | 111 | 120 | 74 | 152 | 153 | 85 |
| Casting Foundries Shipments: | | | | | | |
| Steel—In Dollars..... | 372 | 423 | 413 | 151 | 162 | 137 |
| In Tons..... | 204 | 235 | 231 | 138 | 145 | 116 |
| Malleable—In Dollars..... | 199 | 244 | 199 | 142 | 147 | 123 |
| In Tons..... | 164 | 203 | 169 | 132 | 135 | 114 |
| Stores and Furnaces: | | | | | | |
| Shipments..... | 140 | 156 | 211 | 128 | 183 | 162 |
| Furniture Manufacturing: | | | | | | |
| Orders in Dollars..... | 166 | 186 | 203 | 116 | 154 | 157 |
| Shipments in Dollars..... | 203 | 233 | 206 | 154 | 166 | 143 |
| Paper Manufacturing: * | | | | | | |
| Tonnage Production..... | 140 | 144 | 137 | 111 | 114 | 107 |
| Petroleum Refining—(Indiana, Illinois, Kentucky Area): * | | | | | | |
| Crude Run to Still..... | 167 | 168 | 169 | 141 | 147 | 147 |
| Gasoline Production..... | 160 | 165 | 166 | 137 | 143 | 140 |
| Bituminous Coal Production: * | | | | | | |
| Illinois, Indiana, Iowa, and Michigan..... | 140 | 124 | 125 | 126 | 97 | 110 |
| Building Contracts Awarded: | | | | | | |
| Residential..... | 209 | 263 | 237 | 194 | 272 | 297 |
| Total..... | 167 | 200 | 155 | 180 | 171 | 176 |
| Department Store Net Sales: * | | | | | | |
| Chicago..... | 137 | 119 | 132 | 126 | 110 | 112 |
| Detroit..... | 157 | 119 | 195 | 139 | 111 | 158 |
| Indianapolis..... | 165 | 152 | 162 | 144 | 128 | 139 |
| Milwaukee..... | 151 | 136 | 154 | 124 | 112 | 126 |
| Other Cities..... | 156 | 121 | 142 | 134 | 112 | 115 |
| Seventh District—Unadjusted..... | 146 | 123 | 151 | 131 | 112 | 125 |
| Adjusted..... | 133 | 117 | 137 | 119 | 106 | 114 |

*Daily average basis.

**STEEL AND MALLEABLE CASTINGS
SEVENTH FEDERAL RESERVE DISTRICT**

| | Per Cent Change November 1941 from | |
|------------------------------|---------------------------------------|---------------|
| | October 1941 | November 1940 |
| STEEL CASTINGS: | | |
| Orders booked (tons)..... | -43 | -18 |
| Orders booked (dollars)..... | -46 | +18 |
| Shipments (tons)..... | -13 | +48 |
| Shipments (dollars)..... | -12 | +147 |
| Production (tons)..... | -14 | +34 |
| MALLEABLE CASTINGS: | | |
| Orders booked (tons)..... | -23 | -20 |
| Orders booked (dollars)..... | -23 | -10 |
| Shipments (tons)..... | -20 | +26 |
| Shipments (dollars)..... | -19 | +43 |
| Production (tons)..... | -23 | +20 |

**DEPARTMENT AND APPAREL STORE TRADE
SEVENTH FEDERAL RESERVE DISTRICT**

| Locality | Net Sales | | Stock on Hand (End of Month) | |
|--------------------|---------------------------------------|------------------|---------------------------------------|------------------|
| | Per Cent Change November 1941 from | | Per Cent Change November 1941 from | |
| | October 1941 | November 1940 | October 1941 | November 1940 |
| Chicago..... | +3 | +6 | +10 | +3 |
| Peoria..... | +23 | +6 | +14 | -9 |
| Fort Wayne..... | +10 | +19 | +26 | |
| Indianapolis..... | -2 | +11 | +19 | +1 |
| Des Moines..... | +17 | +14 | +12 | +37 |
| Sioux City..... | +3 | +8 | +11 | |
| Detroit..... | +16 | +11 | +22 | +5 |
| Flint..... | +6 | -3 | +19 | +32 |
| Grand Rapids..... | -4 | +5 | +15 | |
| Lansing..... | -3 | | +24 | |
| Milwaukee..... | +1 | +18 | +21 | -7 |
| Other Cities..... | -2 | +11 | +21 | +2 |
| Total..... | +5 | +9 | +16 | +1 |
| Apparel Stores.... | +2 | +7 | +16 | |

*Increase of less than one per cent.

**SALES OF INDEPENDENT RETAIL STORES
SEVENTH FEDERAL RESERVE DISTRICT**

| | Per Cent Change November 1940 to November 1941 | | | | |
|---|--|---------|------|----------|-----------|
| | Illinois | Indiana | Iowa | Michigan | Wisconsin |
| Total All Groups*..... | +3 | +8 | +9 | +5 | +14 |
| Apparel Group..... | +8 | +20 | +13 | +6 | +16 |
| Drug Stores..... | +13 | +18 | +19 | +15 | +18 |
| Eating and Drinking Places..... | +12 | +17 | +12 | +22 | +10 |
| Food Group..... | +8 | +13 | +6 | +10 | +10 |
| Furniture-Household-Radio Group..... | +9 | +4 | +6 | -5 | +24 |
| Hardware Stores..... | +12 | +24 | +5 | +16 | +10 |
| Jewelry Stores..... | +22 | +35 | +25 | +1 | +24 |
| Lumber and Building Materials..... | +2 | +14 | +4 | | +14 |
| Motor Vehicle Dealers..... | -26 | -28 | -26 | | -16 |

*Includes classifications other than those listed.

Data furnished by Bureau of the Census, United States Department of Commerce.

**WHOLESALE TRADE
SEVENTH FEDERAL RESERVE DISTRICT**

| Commodity | Per Cent Change November 1940 to November 1941 | | | |
|-------------------------------|---|--------|-------------------------|-------------|
| | Net Sales | Stocks | Accounts Outstanding | Collections |
| Drugs and Drug Sundries..... | +16 | | +23 | +12 |
| Electrical Goods..... | +51 | +39 | +55 | +67 |
| Groceries..... | +8 | +23 | +12 | +13 |
| Hardware..... | +31 | +37 | +9 | +29 |
| Jewelry..... | +27 | +4 | +9 | +60 |
| Meats and Meat Products..... | +30 | +73 | +41 | +48 |
| Paper and Its Products..... | +35 | +17 | +34 | +46 |
| Tobacco and Its Products..... | +3 | +44 | +9 | +8 |
| Miscellaneous..... | +24 | +14 | +33 | +39 |
| Total..... | +22 | +26 | +22 | +29 |

Data furnished by Bureau of the Census, United States Department of Commerce.

LIVESTOCK MOVEMENT AND SLAUGHTER

| | Seventh Federal Reserve District Nov. 1941 | Per Cent Change from Nov. 1940 | United States Total (67 markets) Nov. 1941 | Per Cent Change from Nov. 1940 | United States Total (67 markets) Jan.-Nov. 1941 | Per Cent Change from Jan.-Nov. 1940 |
|----------------------|--|--------------------------------|--|--------------------------------|---|-------------------------------------|
| | (1,000 head) | | (1,000 head) | | (1,000 head) | |
| RECEIPTS: | | | | | | |
| Cattle..... | 333 | +10.4 | 1,417 | + 9.8 | 13,795 | + 6.6 |
| Calves..... | 100 | +11.1 | 606 | + 4.7 | 5,596 | - 3.8 |
| Hogs..... | 997 | -22.8 | 2,832 | -21.2 | 27,021 | -12.2 |
| Lambs and Sheep..... | 357 | - 2.3 | 1,818 | + 2.4 | 21,098 | - 0.3 |
| SLAUGHTER: | | | | | | |
| Cattle..... | 204 | + 2.0 | 742 | + 9.6 | 8,031 | +12.8 |
| Calves..... | 73 | +11.7 | 312 | + 4.2 | 3,306 | - 0.5 |
| Hogs..... | 738 | - 6.7 | 2,098 | -21.8 | 19,903 | -11.3 |
| Lambs and Sheep..... | 232 | - 0.8 | 905 | - 0.4 | 10,558 | - 0.3 |
| SHIPMENTS: | | | | | | |
| Cattle..... | 130 | +27.0 | 674 | +10.3 | 5,651 | - 0.7 |
| Calves..... | 27 | + 9.2 | 287 | + 2.3 | 2,222 | - 9.7 |
| Hogs..... | 260 | -21.6 | 727 | -19.6 | 7,041 | -14.7 |
| Lambs and Sheep..... | 126 | - 5.2 | 945 | + 7.1 | 10,537 | - 0.1 |

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

RECEIPTS AND SHIPMENTS OF GRAIN At Interior Primary Markets in the United States (In thousands of bushels)

| | November 1941 | November 1940 | Per Cent Change Nov. 1941 from Nov. 1940 | Ten-Year Average November 1931-40 | Per Cent Change Nov. 1941 from Ten-Year Average |
|----------------|---------------|---------------|--|-----------------------------------|---|
| WHEAT: | | | | | |
| Receipts..... | 18,294 | 9,914 | +84.5 | 14,500 | +26.2 |
| Shipments..... | 14,862 | 16,363 | - 9.2 | 19,569 | -24.1 |
| CORN: | | | | | |
| Receipts..... | 24,644 | 20,989 | +17.4 | 21,323 | +15.6 |
| Shipments..... | 15,883 | 11,815 | +34.4 | 11,511 | +38.0 |
| OATS: | | | | | |
| Receipts..... | 7,150 | 4,020 | +77.9 | 4,429 | +61.4 |
| Shipments..... | 4,648 | 3,611 | +28.6 | 4,983 | - 6.8 |

Source: Daily Trade Bulletin.

HOG-CORN RATIOS

| | Dec. 1941 | Nov. 1941 | Dec. 1940 | Dec. 1939 |
|--------------------|-----------|-----------|-----------|-----------|
| Illinois..... | 16.2 | 15.8 | 11.2 | 10.9 |
| Indiana..... | 16.0 | 16.0 | 10.4 | 10.4 |
| Iowa..... | 16.2 | 16.3 | 11.9 | 11.0 |
| Michigan..... | 13.7 | 12.9 | 8.9 | 9.6 |
| Wisconsin..... | 14.0 | 13.6 | 10.0 | 9.3 |
| United States..... | 15.3 | 15.2 | 10.3 | 10.0 |

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

CASH INCOME FROM FARM MARKETINGS (Including Government Payments)

| | Oct. 1941 (1,000 dollars) | Oct. 1940 (1,000 dollars) | Jan.-Oct. 1941 (1,000 dollars) | Jan.-Oct. 1940 (1,000 dollars) |
|--------------------------|------------------------------|------------------------------|-----------------------------------|-----------------------------------|
| Illinois..... | 81,610 | 51,971 | 589,737 | 464,150 |
| Indiana..... | 39,408 | 27,642 | 308,700 | 248,168 |
| Iowa..... | 85,163 | 60,328 | 702,897 | 564,206 |
| Michigan..... | 30,465 | 25,720 | 239,955 | 198,608 |
| Wisconsin..... | 44,260 | 30,672 | 343,750 | 258,920 |
| Total Five States..... | 280,903 | 196,333 | 2,165,039 | 1,734,052 |
| Total United States..... | 1,484,891 | 1,126,355 | 9,174,943 | 7,315,124 |

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT

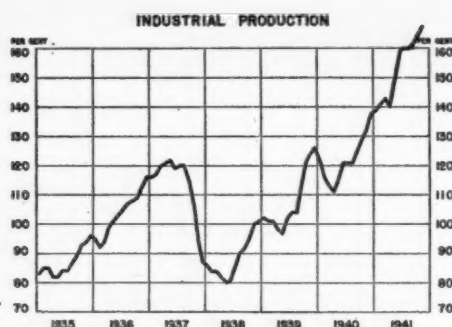
| Industrial Group | Week of November 15, 1941 | | | Change from October 15, 1941 | |
|-------------------------------|---------------------------|---------------------|---|------------------------------|---------------|
| | Number of Reporting Firms | Number of Employees | Wage Payments (In thousands of dollars) | Number of Employees | Wage Payments |
| DURABLE GOODS: | | | | | |
| Metals and Products..... | 1,852 | 585,424 | 21,629 | -0.1 | -1.6 |
| Transportation Equipment..... | 389 | 415,315 | 18,363 | +1.2 | +3.5 |
| Stone, Clay, and Glass..... | 269 | 27,503 | 848 | -1.5 | -3.2 |
| Wood Products..... | 453 | 64,280 | 1,704 | -0.3 | -3.5 |
| Total..... | 2,963 | 1,062,522 | 42,544 | +0.3 | +0.4 |
| NON-DURABLE GOODS: | | | | | |
| Textiles and Products..... | 425 | 76,335 | 1,697 | -1.7 | -5.3 |
| Food and Products..... | 1,094 | 128,185 | 3,997 | -1.7 | -0.5 |
| Chemical Products..... | 305 | 40,584 | 1,450 | -0.1 | -0.7 |
| Leather Products..... | 177 | 35,590 | 936 | +0.1 | +2.4 |
| Rubber Products..... | 35 | 24,193 | 853 | -0.2 | +4.2 |
| Paper and Printing..... | 710 | 91,610 | 3,014 | -0.8 | -0.5 |
| Total..... | 2,656 | 396,497 | 11,647 | -1.1 | -0.7 |
| Total Mfg., 10 Groups..... | 5,619 | 1,459,019 | 54,191 | -0.1 | +0.2 |
| Merchandising..... | 5,257 | 169,015 | 3,958 | +3.8 | +3.0 |
| Public Utilities..... | 1,015 | 109,675 | 3,875 | -0.2 | -0.1 |
| Coal Mining..... | 47 | 8,339 | 297 | +1.1 | +3.0 |
| Construction..... | 448 | 8,860 | 339 | +0.4 | +10.6 |
| Total Non-Mfg., 4 Groups..... | 6,767 | 295,889 | 8,469 | +2.1 | +0.9 |
| Total, 14 Groups..... | 12,386 | 1,754,908 | 62,660 | +0.3 | +0.3 |

¹Other than transportation equipment.

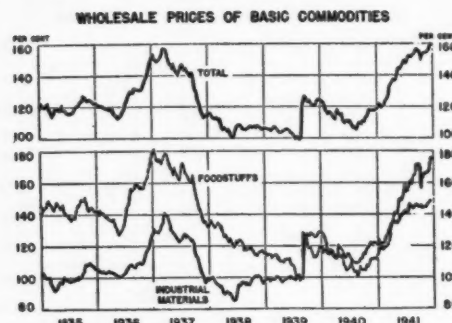
Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

BANK DEBITS Debits to deposit accounts, except interbank accounts

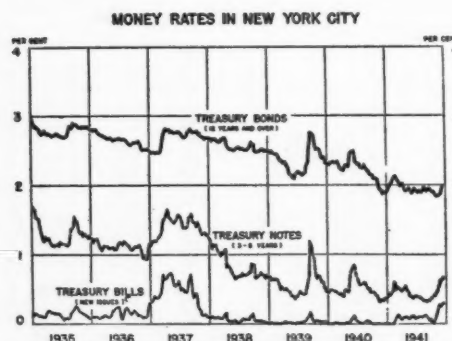
| | (In thousands of dollars) | | | Per Cent Change | |
|--------------------------|---------------------------|------------|------------|------------------------|------------------------|
| | Nov. 1941 | Dec. 1941 | Dec. 1940 | Nov. 1940 to Nov. 1941 | Dec. 1940 to Dec. 1941 |
| ILLINOIS: | | | | | |
| Aurora..... | 14,922 | 17,410 | 13,351 | +21 | +30 |
| Bloomington..... | 14,249 | 15,544 | 13,792 | +11 | +13 |
| Champaign-Urbana..... | 19,337 | 21,660 | 17,207 | +13 | +26 |
| Chicago..... | 3,840,908 | 4,833,987 | 3,667,881 | +25 | +32 |
| Danville..... | 12,027 | 15,700 | 11,617 | +13 | +18 |
| Decatur..... | 33,259 | 40,947 | 22,161 | +40 | +85 |
| Elgin..... | 9,985 | 11,933 | 10,052 | +10 | +19 |
| Moline..... | 13,394 | 14,434 | 10,425 | +16 | +38 |
| Peoria..... | 77,902 | 87,108 | 70,748 | + 5 | +23 |
| Rockford..... | 42,155 | 49,831 | 34,261 | +44 | +45 |
| Springfield..... | 29,622 | 37,317 | 30,229 | +10 | +23 |
| INDIANA: | | | | | |
| Fort Wayne..... | 43,769 | 53,797 | 39,683 | +22 | +36 |
| Gary..... | 24,280 | 28,191 | 22,744 | +19 | +24 |
| Hammond..... | 12,476 | 13,531 | 11,302 | +20 | +20 |
| Indianapolis..... | 275,556 | 329,524 | 254,573 | +18 | +29 |
| South Bend..... | 52,941 | 66,491 | 54,815 | + 8 | +21 |
| Terre Haute..... | 31,016 | 35,228 | 29,114 | +17 | +21 |
| IOWA: | | | | | |
| Cedar Rapids..... | 33,192 | 43,229 | 30,948 | +21 | +40 |
| Clinton..... | 7,381 | 9,800 | 7,601 | + 9 | +29 |
| Davenport..... | 26,317 | 33,567 | 27,131 | + 9 | +24 |
| Des Moines..... | 107,964 | 139,158 | 107,782 | + 9 | +29 |
| Dubuque..... | 12,799 | 14,687 | 12,238 | +18 | +20 |
| Mason City..... | 12,874 | 15,407 | 10,946 | +28 | +41 |
| Muscatine..... | 4,576 | 5,561 | 4,130 | +17 | +35 |
| Sioux City..... | 51,394 | 63,832 | 45,308 | +25 | +41 |
| Waterloo..... | 24,705 | 29,049 | 21,772 | +21 | +33 |
| MICHIGAN: | | | | | |
| Adrian..... | 5,544 | 6,242 | 5,111 | +18 | +22 |
| Battle Creek..... | 18,035 | 21,463 | 15,346 | +28 | +28 |
| Bay City..... | 15,437 | 20,390 | 14,203 | +17 | +44 |
| Detroit..... | 1,390,275 | 1,641,144 | 1,342,278 | +18 | +22 |
| Flint..... | 34,307 | 41,239 | 35,625 | +16 | +16 |
| Grand Rapids..... | 72,667 | 81,224 | 67,343 | +16 | +21 |
| Jackson..... | 21,012 | 25,293 | 19,031 | +22 | +33 |
| Kalamazoo..... | 32,019 | 39,943 | 29,663 | +16 | +35 |
| Lansing..... | 32,474 | 38,035 | 31,444 | +19 | +21 |
| Saginaw..... | 29,621 | 41,471 | 32,908 | +12 | +26 |
| WISCONSIN: | | | | | |
| Green Bay..... | 19,532 | 21,979 | 16,841 | +17 | +31 |
| Manitowoc..... | 9,292 | 11,438 | 8,977 | +21 | +27 |
| Milwaukee..... | 343,862 | 451,008 | 330,391 | +24 | +37 |
| Oshkosh..... | 10,816 | 13,779 | 11,367 | +14 | +21 |
| Sheboygan..... | 27,203 | 37,021 | 20,919 | +48 | +77 |
| SEVENTH DISTRICT: | | | | | |
| 41 Cities..... | 6,890,996 | 8,516,592 | 6,563,258 | +21 | +30 |
| UNITED STATES: | | | | | |
| 274 Cities..... | 45,081,000 | 56,889,000 | 46,673,000 | +15 | +21 |



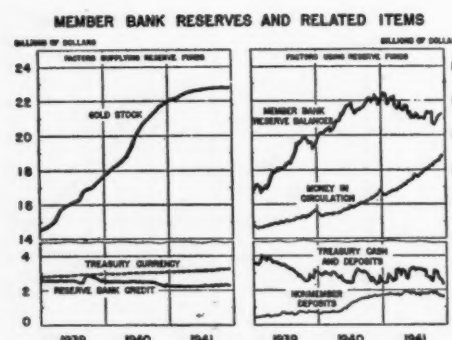
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 = 100. By months, January 1935 to November 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939 = 100. Thursday figures, January 3, 1935 to December 11, 1941.



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to December 13, 1941.



Wednesday figures, January 4, 1939 to December 10, 1941.

National Summary of Business Conditions

(By the Board of Governors of the Federal Reserve System)

Industrial activity was maintained at a high rate in November and the first half of December, and distribution of commodities continued in large volume. Our entry into the war was reflected in a sharp advance in the prices of some commodities, some decline in security prices, and further curtailment of nonmilitary production.

Production—Volume of industrial output was sustained in November at the high rate of the previous two months, although a decline is usual at this season. The Board's adjusted index advanced from 163 to 167 per cent of the 1935-39 average. In industries engaged in production of armament and munitions, activity continued to increase, and in most other lines volume of output was maintained or declined less than seasonally.

Output of materials, such as steel and nonferrous metals, was maintained at about capacity. In the automobile industry activity increased, reflecting larger output of both military and civilian products, and at lumber mills and furniture factories activity declined less than seasonally. At cotton and rayon textile mills activity rose to new record levels, and at woolen mills the high production rate of other recent months was maintained. Less than seasonal declines in output were indicated for shoes and manufactured food products.

Crude petroleum production increased further in November. Bituminous coal production declined somewhat, owing to temporary shutdowns at some mines during November, and anthracite production was curtailed as a result of unusually warm weather in some areas and the existence of considerable stocks of coal accumulated in earlier months. Iron ore shipments continued in large volume until the shipping season closed early in December; during 1941 about 80 million tons of ore were brought down the Lakes, as compared with the previous record of 65 million tons in 1929. Stocks of ore at lower Lake ports on November 30 amounted to about a seven months' supply at the current consumption rate of around 6.5 million tons a month.

Following a declaration of war by this country in early December, further steps were taken to curtail output of nondefense goods using critical materials. Output quotas for passenger cars and household appliances were greatly reduced, and cessation of output of some other products was ordered as of the end of January. Also, the production and sale of new automobile tires and tubes for civilian use were halted temporarily, pending establishment of a system for controlling their distribution.

Value of construction contracts awarded in November declined sharply from the high level of other recent months, according to figures of the F. W. Dodge Corporation. Awards for privately-financed construction decreased more than seasonally, and contracts for publicly-financed projects also declined following a continued large volume of awards since last spring. Total awards in November were about a fifth larger than a year ago, while for the first ten months of the year they were three-fifths larger.

Distribution—Volume of retail trade increased in November following some decline in the previous month. Department store sales, as measured by the Board's seasonally adjusted index, advanced to 115 per cent of the 1923-25 average, as compared with 105 in October and 116 in September. Larger sales in November were also reported by variety stores. Sales of automobiles increased somewhat, according to trade reports, but as in other recent months, new car sales were smaller than output and dealers' stocks rose further.

In the second week of December sales at department stores rose less than seasonally, particularly in the coastal regions.

Freight-traffic on the railroads continued in large volume in November and the first half of December. Grain shipments increased considerably and loadings of miscellaneous merchandise, which includes most manufactured products, were maintained at the high level reached several months earlier. Coal loadings declined somewhat, owing in part to temporary shutdowns at some mines. Shipments of most other classes of freight decreased less than is usual at this season.

Commodity Prices—Following the entry of the United States into the war, prices of grains, livestock, and foods rose sharply. Prices of most industrial materials traded in the organized markets, being limited by Federal regulation, showed little change. Additional measures to prevent advances in wholesale prices were soon announced for wool and shellac and for such imported foods as coconuts, coffee, pepper, and fats and oils.

Retail food prices, as measured by the Bureau of Labor Statistics' index, increased $1\frac{1}{2}$ per cent further from the middle of October to the middle of November to a level of 18 per cent above a year ago. Indications are that retail prices of both foods and other commodities continued to rise in December.

Bank Credit—Total loans and investments at banks in leading cities continued to advance during November and the first two weeks of December, owing mostly to increased holdings of Government securities at banks outside New York City. Commercial loans, after showing little net change in November, again increased sharply in the first two weeks of December.

Excess reserves increased through most of the period as a result of Treasury expenditures from Reserve Bank balances, but declined sharply on December 15 when these balances were replenished in connection with the issue of 1.6 billion dollars of new Government securities. Money in circulation has continued to show a marked increase.

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SEVENTH FEDERAL



RESERVE DISTRICT



